

GWALIA (U.S.A.) LTD.
Barite Hill Project
P.O. Box 1510
McCormick, SC 29835

Telephone: (404) 855-0805
Facsimile: (404) 855-0881

FAX COVER SHEET

PLEASE CALL IF THERE IS ANY DIFFICULTY WITH THIS
TRANSMISSION

DATE: 22 August 1989

TO: Gwalia Group

ATTN: G.R.B.

FROM: M.A.P.D.

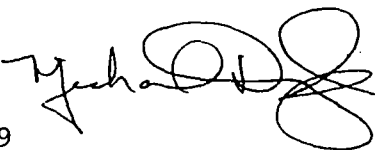
TOTAL NUMBER OF PAGES INCLUDING COVER SHEET.

18

CONFIRMATION



10755484

TO: Graham Ball
FROM: Michael Drozd 
DATE: 22 August 1989

RE: Board Resolution

Enclosed is a copy of a resolution that Bill Musser put together for the USFS Land exchange. Would you approach Peter to get the resolution please and FAX first, then send hard copy to Augusta.

Also, Bill Musser pointed out that the previous Board Resolution appointing you, Dan, and myself Vice-Presidents, also, referred to us as Secretaries. This is technically incorrect. Eardly is the Corporate Secretary and we should be designated Assistant Secretaries.

Also, enclosed you will find a copy of Bill's letter to me outlining instructions.

RESOLUTION OF BOARD OF DIRECTORS
OF GWALIA (U.S.A), LTD.

RESOLVED, that the Board hereby approves the form and content of the deed from Gwalia (U.S.A.), Ltd. to the United States of America, acting by and through the United States Forest Service, together with any modifications, additions or changes as the officer or officers enumerated below as authorized to sign such document shall determine to make, such execution and delivery of such instrument by such persons being conclusive of the Board's approval of the matters therein contained; and

FURTHER RESOLVED, that the Board hereby authorizes and empowers Graham Richard Ball, Vice President and Secretary of the Corporation, and Michael A. Drozd, Vice President and Secretary of the Corporation, or either one of them, acting alone, to execute, deliver and file, and to authorize other officers (including assistant officers) of the Corporation, or any of them acting alone, to execute, deliver and file, in the name and on behalf of the Corporation, the deed described in the foregoing resolution and, if and as required, closing agreements, promissory notes, closing affidavits and certificates, indemnity agreements, conveyances and grants of real estate (including improvements thereon and interest therein) and any and all other instruments and documents and any amendments to any or all thereof, and to do or cause to be done and to authorize other officers (including assistant officers) of the Corporation, or any of them, acting alone, to do or cause to be done any and all acts or things in the name and on behalf of the Corporation as any such officer may, with advice of counsel, deem necessary or desirable to carry out fully the purposes and intent of the above resolution; such execution and delivery of the instruments, documents and amendments shall be conclusive evidence of the approval of the matters therein contained; and

FURTHER RESOLVED, that the actions heretofore taken by any or all of the officers enumerated above as authorized to sign documents in connection with the above resolutions are hereby ratified, adopted and approved by the Board.

MCNAIR LAW FIRM, P. A.
ATTORNEYS AND COUNSELORS AT LAW

NCNB TOWER

1301 GERVAIS STREET

POST OFFICE BOX 11390

COLUMBIA, SOUTH CAROLINA 29211

803-799-9800

TELECOPIER 803-799-9804

August 21, 1989

VIA FEDERAL EXPRESS

CHARLESTON OFFICE
140 EAST BAY STREET
POST OFFICE BOX 1431
CHARLESTON, S.C. 29402
803-723-7831

GEORGETOWN OFFICE
1112 HIGHMARKET STREET
POST OFFICE DRAWER 459
GEORGETOWN, S.C. 29442
803-546-6131

GEORGETOWN OFFICE
121 SCREVEN STREET
POST OFFICE DRAWER 418
GEORGETOWN, S.C. 29442
803-546-6102

GREENVILLE OFFICE
SUITE 1201
NCNB PLAZA
7 NORTH LAURENS STREET
GREENVILLE, S.C. 29601
803-271-4940

HILTON HEAD ISLAND OFFICE
MCNAIR LAW BUILDING
10 POPE AVENUE EXECUTIVE PARK
POST OFFICE DRAWER 7787
HILTON HEAD ISLAND, S.C. 29938
803-785-5169

WASHINGTON OFFICE
SUITE 400
MADISON OFFICE BUILDING
1155 15TH STREET, N.W.
WASHINGTON, D.C. 20005
202-859-3900

Mr. Michael Drozd
Gwalia (U.S.A.) Ltd.
625 Pleasant Home Road
Apartment 232
Augusta, Georgia 30907

Re: Young Parcel Exchange and Title Insurance for Catawba
and Rainsford Leaseholds

Dear Michael:

Please find enclosed the following documents:

A. With respect to the Young parcel exchange:

1. closing instructions from the Forest Service;
2. a copy of the executed deed from the United States of America to Gwalia (USA), Ltd. conveying title to Federal Tract No. 60-D to Gwalia;
3. a draft deed from Gwalia (USA), Ltd. to the United States of America conveying title to the Young parcel to the United States;
4. Owner's and Contractor's Affidavit;
5. Affidavit and Indemnity;
6. corporate resolution of Gwalia (USA), Ltd. approving the form of deed;
7. Secretary's Certificate as to the corporate resolution; and
8. Firm Title, Inc. Invoice for the title insurance premium in the amount of \$85.00 for the United States of America and Title Insurance Financial Disclosure Form.

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- B. With respect to the Catawba and Rainsford title insurance:
1. a draft Memorandum of Lease from Bowater Incorporated to Gwalia (USA), Ltd.;
 2. an Affidavit as to the value of Gwalia's leasehold interest in the two tracts;
 3. an invoice from Firm Title, Inc. to Gwalia (USA), Ltd. for \$1 million of title insurance on the Catawba tract for a premium of \$1,745; and
 4. an invoice from Firm Title, Inc. for \$2 million of title insurance for the Rainsford Tract for a premium of \$3,245.
- C. A blacklined copy of the Exchange Agreement.

The Young Parcel Exchange

As I relayed to you over the phone, Firm Title, Inc. is requiring a more specific corporate resolution as a condition to delivering its title insurance policy to the United States Government for the Young Parcel than was required by the Forest Service. As you may recall, the certificate which you submitted to the Forest Service solely certified that pursuant to the resolution appointing the officers of the corporation, such officers were authorized to execute documents on the corporation's behalf. The enclosed resolution specifically authorizes the execution of the deed. The Secretary's Certificate should be executed by the Secretary, attached to the resolution in the form adopted and faxed to us. Please send us the hard copy by express mail.

The deed from Gwalia to the United States Government has been drafted by the Forest Service for execution by Graham Ball. I have called the Forest Service and will endeavor to arrange for the property to be conveyed over your signature. I noted that the reserved royalty in the deed is 7% of the gross value of any produced gold and silver from the land. The Exchange Agreement provides that the royalty is 7% of any minerals produced from the tract. Please advise me if the deed language is consistent with your understanding.

The Owner's and Contractor's Affidavit is a standard document required by the title insurance company as a condition to issuing its title insurance policy without an exception for mechanics' and

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materialmen's liens. This Affidavit contains a certification by Gwalia that all persons who have furnished services, labor or materials used in the construction, repair or improvements located on the Young parcel have been paid in full, and that there are no mechanic's or materialman's liens against the property and no claims outstanding which would entitle the holder to claim a lien against the Young parcel.

The Affidavit and Indemnity is required by the title insurance company as a condition to it issuing the title insurance policy without an exception for matters which a current survey would disclose. In its closing instructions, the U.S. Government indicated that it will not accept an exception for matters a current survey would show. The survey which was revised for the parcel this January is not considered a current survey. Therefore, in order for the policy not to contain the survey exception, it will be necessary either to update the survey or for Gwalia to certify as to the matters set forth in paragraph 3 of the Affidavit and Indemnity and to agree to indemnify the title insurance company for any resulting loss. Please advise me as to which option you prefer.

The Disclosure of Financial Interest is required by South Carolina law because our law firm owns the title insurance company.

In order for us to effect the land swap, we will need the Gwalia deed, the Owner's and Contractor's Affidavit, the Affidavit and Indemnity (or an updated survey), the Secretary's Certificate and the Financial Disclosure Form executed and returned to us.

Title Insurance on Bowater and Rainsford Leaseholds

As for the items listed under "B" above, the Memorandum of Lease from Bowater to Gwalia (USA), Ltd. will be necessary to establish of record that the lease option described in the Exploration Agreement with Option to Lease has indeed been exercised. The document on record evidencing the Exploration Agreement with Option to Lease is not sufficient for title insurance purposes to provide record notice of your leasehold. I would suggest you forward this document to Bowater and have it executed at the same time as the Exchange Agreement is executed.

The Affidavit as to the value of Gwalia's leasehold interest in the Catawba and Rainsford tracts is the document which establishes and certifies the value of Gwalia's interest in these tracts to the title insurance company. This Affidavit is a sworn statement as to the value of Gwalia's leasehold interest in the two tracts. It is conceivable that at some time in the future the title insurance company may question your claim as to value of

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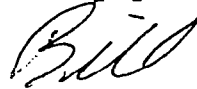
your leasehold interest in the properties. Therefore, you should maintain records as to your basis for valuation of the property.

The final two items under "B", the Firm Title Invoices, reflect the amounts of the premiums to be paid prior to the title insurance policies being issued.

In order for the title insurance policies to be issued, we will need to record the Memorandum of Lease in McCormick County and the executed Affidavit as to value. In addition, we will need the title insurance premium by check or wire transfer.

Should you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

William M. Musser

WMM/mf

Enclosure(s)

cc: John W. Foster, Esquire (without enclosures)

STATE OF SOUTH CAROLINA)
)
COUNTY OF MCCORMICK)

EXCHANGE AGREEMENT

This Agreement is entered into on August ____, 1989, by GWALIA (USA) LTD., a Delaware corporation ("Gwalia"), and BOWATER INCORPORATED (successor by merger to Catawba Timber Company), a Delaware corporation ("Bowater").

WHEREAS, Bowater owns the real property described in Exhibit "A" attached hereto and made a part hereof (the "Bowater Property"); and

WHEREAS, Gwalia wishes to acquire the Bowater Property by exchanging therefor certain real property hereafter acquired by Gwalia pursuant to the terms hereof.

W I T N E S S E T H:

In consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Bowater agrees to convey the Bowater Property to Gwalia in exchange for the conveyance to Bowater by third parties of like-kind property to be designated by Bowater (the "Exchange Property," as more specifically described herein), and Gwalia agrees to pay the consideration for the conveyance to Bowater of the Exchange Property in exchange for the conveyance by Bowater of the Bowater Property. It is the intention of the parties hereto that the exchange of the Bowater Property for the Exchange Property as provided for in this Agreement qualify as an exchange of property of like-kind within the meaning of Section 1031 of the Internal Revenue Code of 1986, as now in effect, and regulations thereunder. However, Gwalia makes no representations or warranties that said exchange will so qualify and shall in no event be liable or responsible for damages to Bowater in the event the exchange fails to qualify.

2. As soon as practicable after the date hereof, Bowater shall begin the selection of one or more tracts or parcels of land which will comprise the Exchange Property. Bowater will be responsible for negotiating for the purchase of such tracts or parcels. Bowater will be responsible for examining title to any tract or parcel that will become part of the Exchange Property.

3. Upon the completion of negotiations for the purchase of each particular tract or parcel, Bowater shall deliver to Gwalia a written request that Gwalia execute a contract for the purchase of such tract or parcel among Bowater, the seller of the property and Gwalia. Such contract may be in the form of an option. Each such contract for purchase shall be in form and substance satisfactory to Bowater and Gwalia and shall constitute a contractual agreement (a) of Bowater to accept a conveyance of such tract or parcel as part of the Exchange Property in exchange for the Bowater Property and (b) of Gwalia to pay the consideration stated in the agreement for conveyance by the seller of the property to Bowater. Thereafter, Bowater will provide for title examination of each property. Transfer of the Exchange Property to Bowater shall be by special or general warranty deed, and shall be made subject to such liens, encumbrances and exceptions to title as may have been approved by Bowater (the "Permitted Exceptions").

4. Bowater shall have the right to select and negotiate for the purchase of as many tracts or parcels as it deems prudent. To the extent such tracts are purchased, they will collectively compose the Exchange Property. Provided, however, that the aggregate purchase price for all such tracts or parcels and all attendant direct costs incurred by Gwalia in such transactions, shall not exceed the Exchange Value, as defined below.

5. On or before the date twelve months from the date of this Agreement, Bowater shall convey the Bowater Property to Gwalia by general warranty deed, free and clear of all liens and mortgages, except as may have been created by any act or deed of Gwalia, and subject only to such other exceptions and encumbrances, if any, of record as of the date hereof and the reservations set forth in Exhibit "A" hereto. At a time and place to be agreed upon by the parties, but no later than six months after the date of conveyance of the Bowater Property by Bowater to Gwalia, the exchange of properties shall be closed (the "Closing") by Gwalia paying the consideration for such property transfers and the selling parties conveying the Exchange Property to Bowater by general or special warranty deed subject only to the Permitted Exceptions.

6. Gwalia shall, at its own expense, make whatever examination of the title to the Bowater Property it deems necessary for its purposes.

7. For purposes of this exchange the parties hereby agree that the value of the Bowater Property and the amount to be paid by Gwalia (whether in cash or the incurring of direct costs) shall be \$502,525.05 (the "Exchange Value"); provided, however, that if within _____ days of the date hereof an accurate survey of the Bowater Property shows acreage of less than 148.02 acres, the Exchange Value shall be proportionately reduced. If the costs incurred by Gwalia to acquire the Exchange Property, including the price paid for the property and all direct costs incurred by Gwalia in acquiring the Exchange Property, shall be less than the Exchange Value, then Gwalia will pay the deficiency to Bowater at the Closing, as provided in paragraph 8. All such direct costs will be a credit against the Exchange Value. Gwalia shall not be required to expend more in direct costs, including the purchase price of the various tracts or parcels, than the Exchange Value in acquiring the Exchange Property.

8. If Bowater should fail to designate a sufficient amount of Exchange Property for acquisition by Bowater prior to the date five months from the date of its conveyance of the Bowater Property to Gwalia then the Closing shall take place within one month thereafter at which time the tracts and parcels designated by Bowater composing the Exchange Property as described in paragraph 5 above which have not previously been conveyed to Bowater shall be conveyed by the third party sellers to Bowater, Gwalia shall pay the consideration for the transfers, and Gwalia shall pay Bowater be certified or cashier's check an amount equal to the remaining Exchange Value.

9. Each party shall be responsible for payment of the transfer fees and taxes and recording fees applicable to the deed or deeds which the party receives at Closing. Ad valorem taxes on the Bowater Property and the Exchange Property shall be prorated at Closing. Any prorated taxes on the Exchange Property received by Bowater upon conveyance shall not be considered part of the Exchange Value.

10. Any loss or damage occurring to the Bowater Property after the date hereof shall be the responsibility of Gwalia, and any loss or damage to the Exchange Property occurring after designation by Bowater and prior to conveyance to Bowater shall be the responsibility of Bowater. Each party shall have the right to enter the property being acquired by it from the other for the purpose of taking all action deemed necessary to reduce said risk of loss.

11. Gwalia shall not be required to enforce by legal action any option or contract made in its name to purchase Exchange Property, and in case of any dispute involving same, Gwalia shall promptly assign that option or contract and all of its rights thereunder to Bowater without recourse or warranty, and Bowater shall reimburse Gwalia for all direct costs (including earnest money) incurred by Gwalia in connection with that contract or option and shall indemnify Gwalia and hold Gwalia harmless with respect to any claims that may be asserted against Gwalia under such contract or option.

12. Any notice or property designation required under this Agreement shall be sufficient if delivered in person or by certified mail addressed to the parties as follows:

If to Bowater: H.M. Templeton, III, Esquire
Division Counsel
Bowater Incorporated
Carolina Division
Calhoun, Tennessee 37309

If to Gwalia: Gwalia (USA) LTD.
Attention: Mr. Michael Drozd
1675 Broadway, Suite 2350
Denver, Colorado 80202

13. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors, and assigns.

14. This Agreement shall be governed by the laws of the State of South Carolina.

IN WITNESS WHEREOF, the parties hereto have signed,
sealed, and delivered this Agreement on the date first above
written.

Witnesses:
As to Gwalia:

GWALIA (USA) LTD.

By: _____
Title: _____ (Seal)

ATTEST:

Title:

Witnesses:
As to Bowater

BOWATER INCORPORATED

By: _____
George W. Flanders
Vice President-Woodlands
Manager, Carolina Division
(Seal)

ATTEST:

Title:

STATE OF _____)
COUNTY OF _____)

PROBATE

Before me, the undersigned notary public personally appeared _____ who being duly sworn and deposed, said that _____ he saw GWALIA (USA) LTD., by its authorized officers, sign, seal and deliver the foregoing Exchange Agreement and that _____ he together with _____ witnessed the execution thereof.

Witness

SWORN to and subscribed before me
this _____ day of _____, 1989

(SEAL)
Notary Public for _____
My Commission Expires: _____

STATE OF _____)
COUNTY OF _____)

PROBATE

Before me, the undersigned notary public personally appeared _____ who being duly sworn and deposed, said that _____ he saw BOWATER INCORPORATED, by its authorized officers, sign, seal and deliver the foregoing Exchange Agreement and that _____ he together with _____ witnessed the execution thereof.

Witness

SWORN to and subscribed before me
this _____ day of _____, 1989

(SEAL)
Notary Public for _____
My Commission Expires: _____

EXHIBIT "A"
to
EXCHANGE AGREEMENT

Bowater Incorporate Tract No 1282, Parcel 1, located in McCormick County, South Carolina, and being more particularly described as follows:

Being all of Parcel 1 of Tract 1282 conveyed by East Highlands Company to Catawba Timber Company by deed dated January 1, 1979, and of record in Deed Book 49, Page 142, in the Office of the Clerk of Court for McCormick County, South Carolina, containing 148 acres, more or less.

The southeastern boundary of said property was subsequently modified by two boundary line agreements dated November 17, 1980, and November 18, 1980, and of record respectively in Deed Book 54, Page 14, and Deed Book 54, Page 15, in the Office of the Clerk of Court for McCormick County, South Carolina, so that said property now consists of 148.02 acres.

RESERVING unto Bowater Incorporated and its successors and assigns all coal, oil, gas, associated hydrocarbon substances, and all metallic or non-metallic minerals and ores which contain mineral matter or substances and mineral rights in, on, or under the above-described property together with the right to explore for and remove same by any method. Subject, however, to the Mineral Lease between Bowater Incorporated and Gwalia created by exercise on _____ of the option to lease under the option to lease under the Exploration Agreement With Option to Lease dated September 1, 1985. The Mineral Lease shall survive the conveyance by Bowater Incorporated of the above-described property to Gwalia.

SUBJECT to existing easements and rights of way for public roads and highways and public utilities, if any, extending into, through, over, or across the above-described property.

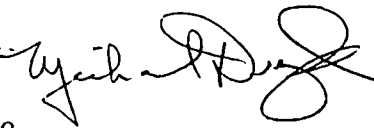
Prior title reference: Deed Book 49, Page 142, Office of the Clerk of Court for McCormick County, South Carolina.

GWALIA (U.S.A.) LTD.



World Trade Center
1675 Broadway, Suite 2350
Denver, Colorado 80202
U.S.A.
Telephone (303) 592 4580
Facsimile (303) 592 4586

TO: Graham Ball

FROM: Michael Drozd 

DATE: 22 August 1989

RE: Overrun for BA-H. 6-89 CAR Form

The CAR Form BA-H. 6-89 for the office trailer will overrun the budget. The overrun is being addressed by an addendum (enclosed).

The overrun is due to unanticipated costs in site clearing, site prep, gravel, concrete, septic and water hook-up.

The site clearing contained a substantial amount of material that had to be hauled off and excavated. An old slash pile had been buried and had to be excavated to get a stable foundation. This excavation and haulage of 200 yd. of material will incur a cost overrun of \$800.00.

Site preparation overrun contained a cost of \$1600.00 for hauling, compacting and borrowing 200 yds. of material (clay). This cost comes to about \$8.00 per cubic yard of material.

Gravel costs were overrun because additional gravel (\$400 worth) had to be brought in to make temporary pads for the sample prep and lab trailer.

Concrete costs were estimated at \$80.00 per yard in place, the bid price has come in at \$100.00 per yard for a \$200.00 overrun.

The septic system has a significant overrun because the original concept was to install a gravity system. The lots soil has proven to be impermeable and the local agencies denied a septic permit. To obtain a septic permit we were required to replace the existing soil with more suitable leach rock. In addition this system required an additional tank and pumping system. The lump sum price for the "replacement septic system" is \$2380.00 while the budget was only \$800.00 (\$1000.00 minus \$200.00 for piping and plumber cost) for an overrun of \$1580.00.

Finally, an unanticipated \$300.00 "tap fee" for bringing city water under the highway will bring the water/plumbing cost to \$1,000.00, an overrun of \$200.00.

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Overrun for BA-H. 6-89 CAR Form.

22 August 1989

The total overrun will be \$4,780.00. This overrun was completely unanticipated and could not be planned for ahead of time.

The overrun funds are requested from the unallocated contingency. An additional 10% to this overrun is requested in case rains cause further delays or damages the work done to date. The total overrun will be a, \$780.00 plus \$480.00 contingency for a total addendum of \$5,260.00.

CAPITAL APPROPRIATION REQUISITION FORM
GWALIA (U.S.A.) LTD.

Asset:		Number: BA-H. 6-89 Addendum	
Trailer, site work, and land		Date: 22 August 1989	
		Amount in Budget: 21,000.00	
Classification:	XXIII/1, XIII/1,2,3, XXXIX Cost code 7810	Timing: ASAP	
NPV: \$	IRR:	% Payback	years
Description of Proposal Addendum to prior CARF 6-89 for the site work, trailer, and land. In addition to \$21,000.00, there will be an additional cost of \$5,260.00 because the site contained a substantial quantity of brush and slash, of magnitude not apparent on initial inspection. Also, this trash had to be hauled off the site. The dozer work time frame allotted should be expanded for equally non-apparent wet ground conditions in the center of the lot.			
Summary of Proposal Cost for additional dozer work and clearing of the office site.			
Amount in Budget \$..21,000.00..... Other \$....5,260.00..... Unallocated contingency Requisition Total \$..26,260.00.....			
Recommendation It is recommended that we do the additional work as it is required for the installation of the office trailer.			
Consequential Expenditure Power charges and property taxes.			
Supporting Documentation See attached.			
Review and Approval <i>Reviewed and Approved Michael D. [Signature]</i> 8/22/89			
Executive Director			
Approvals			
Resident Manager		Managing Director	
Date		Date	